

27 November 1996

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Viacom International
1515 Broadway, 26th Floor
New York, NY 10036

Attention: Mr. Paul Heimbach, Vice President Engineering

Reference: Revised Statement of Work for MPAA/Merdan Proposal

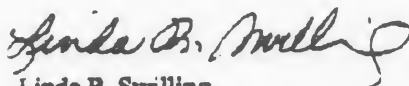
Dear Mr. Heimbach:

Merdan is pleased to provide you with our revised Statement of Work (SOW) for expert security support. Please find the SOW attached which provides you with Merdan's proposed approach, schedule, and price for performing a security vulnerability assessment of the Matsushita/Toshiba Digital Video Disk product (system).

Because time is of the essence, there are two critical criteria that must be met in performing a security vulnerability analysis. The first is that Viacom authorize the Merdan task to start not later than Wednesday, 4 December 1996. The second is that the DVD manufacturer technical representative(s) attend a 5 December 1996 meeting at Merdan's San Diego, California facility. It is expected that the DVD technical presentation and technical interchange meetings should take approximately three hours. It is imperative that the DVD representative attending the meeting be prepared to fully discuss the DVD product (less non-disclosure data). Merdan understands the sensitive data will follow in paper form after necessary administrative protocols are observed.

To facilitate the contractual process, a completed revised Task Order 002 is attached to the SOW for your signature and return to Merdan for final execution. If you have any questions, please call either Jim Ludwig or me at [800] 608-6029.

Sincerely,



Linda R. Swilling
Vice President, Finance

JWSL:nm

Enclosures: Attachment-A Statement of Work (Revised)
Attachment-B Task Order 002 (Revised)

**MERDAN GROUP, INC.**

4817 RUFFNER ST. / P.O. BOX 17098, 92177-7098 / SAN DIEGO, CA 92111-2280



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Attachment-A

MERDAN GROUP, INC.
STATEMENT OF WORK TO PROVIDE EXPERT SECURITY SUPPORT
TO VIACOM INTERNATIONAL
(REVISION 1)

1.0 INTRODUCTION

The Motion Picture Association of America, Inc. through VIACOM International desires to use the support of an independent security engineering contractor to identify and assess relative strengths and vulnerabilities in a current Matsushita/Toshiba operational Digital Video Disk (DVD) Product (System), in part by comparing the security of the DVD system to other known and deployed copyright protection technologies.

- a. MPAA will facilitate acquisition of all necessary nondisclosure agreements by Merdan and award the task to Merdan to start not later than 4 December 1996.
- b. MPAA will coordinate with Matsushita/Toshiba to have the appropriate technical representatives at the Merdan San Diego facility not later than 5 December 1996.
- c. Merdan will generate a report of findings based on the product briefings, technical interchange meeting with the visiting DVD engineer, and analysis of the provided sensitive proprietary data from Matsushita.

2.0 TASK DESCRIPTION**2.1 PRESENTATION**

A minimum of two and a maximum of four Merdan expert security engineers and or analysts will receive the Matsushita/Toshiba DVD technical representative at the Merdan San Diego, California facility and listen to the system/product description presentation. A technical interchange meeting with the visiting representatives will follow the presentation. In addition, Merdan will expect to receive appropriate system/technical data at the meeting and written sensitive data by 12 December 1996. This initial engineering technical meeting is scheduled for Thursday, 5 December 1996.

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2.2 SECURITY ASSESSMENT AND FOLLOW-ON TECHNICAL INTERCHANGE

Following the presentation and initial technical interchange, Merdan will perform the preliminary vulnerability assessment of the DVD product/system. In the event that the need arises for Merdan to receive technical answers to questions arising while performing the analysis, Merdan expects to be able to directly contact appropriate designated technical staff from Matsushita/Toshiba to quickly resolve the technical question(s). The focus of the Merdan assessment will be to describe the proposed system in terms of its ability to prevent consumers from accessing, without permission, MPAA members' motion pictures that incorporate the System. The assessment will conclude after receipt and evaluation of the sensitive written material.

2.3 WRITTEN REPORT

Following our total security vulnerability assessment, Merdan will provide a written report of findings. The focus of this report will be: (1) to assess the difficulty of compromising the System; (2) to assess the difficulty of implementing a compromise of the System by average owners of digital recording and playback devices, if a compromise were to be generally accessible; (3) to provide recommendations regarding security of the System resulting from our analysis and findings; (4) based upon your experience in evaluating encryption technologies, to explain if there are patent issues surrounding the System to which we should be alerted.

2.4 DISTRIBUTION OF FINDINGS

The findings of the security vulnerability assessment and the resulting report will be distributed to the MPAA, alone. All findings, reports, opinions and disclosures shall be held in strictest confidence and shall be maintained on a "need to know" level.

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3.0 SCHEDULE

Merdan Group, Inc. is closed between 21 December 1996 and 1 January 1997 for the holidays. The proposed schedule is totally dependent on Task start-up, Technical briefing, and Merdan's receipt of sensitive data as previously mentioned above. The initial milestones and tentative schedule for this task is as follows:

- a. Task start-up, not later than Wednesday, 4 December 1996.
- b. Matsushita technical briefing on Thursday, 5 December 1996.
- c. Merdan's receipt of written sensitive data from Matsushita not later than 12 December 1996.
- d. Security analysis completion not later than Friday, 20 December 1996.
- e. Report of findings completed and sent to MPAA in overnight mail during the week of 6 January 1997.
- f. Conference call generated by MPAA to Merdan, if necessary, for findings discussion during week of 6 or 13 January 1997.
- g. Task ends, close of business on Friday, 10 January 1997.

The schedule will slip day for day dependent upon achieving the milestones shown in 3.0 above. The key critical milestones are a., b., and c.

4.0 COST

Merdan's fixed price for this Security Evaluation is \$18,470. We do not anticipate any travel associated with this effort. However, in the event that travel is required, it will be billed at cost plus 10% General and Administrative charges.